

EXAMINATION DIVISION



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AUTHORITY

The Examination Division is responsible for conducting examinations and investigations of licensees and registrants of the following consumer finance statutes: Consumer Financial Services Act; Credit Card Act; Mortgage Brokers, Lenders, and Servicers Licensing Act; Motor Vehicle Sales Finance Act; Regulatory Loan Act; Sale of Checks Act; and Secondary Mortgage Loan Act.

For an explanation of these acts, please see the narrative of the Office of Regulation.

EXAMINATIONS

The division conducted examinations and investigations under the following statutes during 1997: Consumer Financial Services Act; Mortgage Brokers, Lenders, and Servicers Licensing Act; Motor Vehicle Sales Finance Act; Regulatory Loan Act; and Secondary Mortgage Loan Act. Examination and investigation activity resulted in two license revocations during the year.

SUPERVISION

On August 13, 1997, Commissioner Patrick M. McQueen revoked the mortgage broker and lender license of Financial Specialists, Inc. of 15565 Northland Drive, Southfield, Michigan. Financial Specialists, Inc. was also fined \$1,000 in civil penalties. The order specified that Financial Specialists, Inc. engaged in fraud, deceit, and misrepresentation. Financial Specialists, Inc. was owned and operated by Phillip VanBuren.

The mortgage broker license issued to Damita R. Ferguson dba Community Residential Funding and Ivy League Mortgage, 15001 West Eight Mile Road, Detroit, Michigan, was suspended by Commissioner McQueen on November 17, 1997, ultimately leading to the revocation of the license. The suspension was a result of the Bureau's investigation which determined that Community Residential Funding falsified information on borrowers' loan applications and created phony mortgage loan documents.

OTHER SIGNIFICANT OCCURRENCES

The year resulted in more licensees to be examined in the following programs: Mortgage Brokers, Lenders, and Servicers Licensing Act; Motor Vehicle Sales Finance Act; Regulatory Loan Act; and Secondary Mortgage Loan Act. Legislative changes made to the Secondary Mortgage Loan Act provide for an operating fee to be imposed on second mortgage licensees which will be based on volume of activity.

In a major change for the division, Deputy Commissioner Murray Brown retired May 29, 1997. Mr. Brown was with the Financial Institutions Bureau for 29 years. Mr. Brown started with the Financial Institutions Bureau as a Senior Economic Analyst, moving his way up to director of Policy and Consumer Affairs and ultimately deputy commissioner in charge of the Office of Policy and Consumer Affairs. As deputy commissioner, he was responsible for the drafting and negotiation of legislation which impacted financial institutions. Mr. Brown's commitment to the division will be deeply missed. Upon Murray Brown's retirement, Deputy Commissioner Gary K. Mielock took over the responsibility of supervision of the following acts: Consumer Financial Services Act, Credit Card Act, Mortgage Brokers, Lenders, and Servicers Licensing Act; Motor Vehicle Sales Finance Act; Regulatory Loan Act; Sale of Checks Act; and Secondary Mortgage Loan Act.

YEAR 2000

With the year 2000 quickly approaching, the Bureau is requesting information from licensees as to steps being taken to prepare their computer systems for any possible problems as a result of the new millennium.

CONSOLIDATED BALANCE SHEET

CONSUMER FINANCIAL SERVICES LICENSEES AS OF DECEMBER 31
(000S OMITTED)

1997

ASSETS

Cash on hand and in banks	\$ 316,484
Net receivable	13,496,158
Deferred charges and prepaid expenses	107,748
Other assets	5,916,929
 Total Assets	 \$ 19,837,319

LIABILITIES AND NET WORTH

Accounts and notes payable	10,198,785
Bonds and long term notes	2,813,939
Expense reserves	15,208
Other liabilities	4,636,786
 Total Liabilities	 \$ 17,664,718
 Branch office capital	 \$ 506,121
Capital stock	
Preferred	200
Common	13,143
Appropriated surplus or capital reserve	839,044
Earned surplus (including undivided profits)	814,093
 Total Net Worth	 \$ 2,172,601
 Total Liabilities and Net Worth	 \$ 19,837,319

CONSOLIDATED BALANCE SHEET

REGULATORY LOAN LICENSEES AS OF DECEMBER 31 (OOOS OMITTED)

1997

ASSETS

Cash on hand and in banks	\$ 151,274
Net receivable	5,531,644
Deferred charges and prepaid expenses	51,778
Other assets	1,498,089
 Total Assets	 \$ 7,232,785

LIABILITIES AND NET WORTH

Accounts and notes payable	\$ 2,704,920
Bonds and long term notes	2,064,069
Expense reserves	376,459
Other liabilities	1,159,233
 Total Liabilities	 \$ 6,304,681
 Branch office capital	
 Capital stock	
Preferred	4,308
Common	68,037
 Appropriated surplus or capital reserve	 706,581
 Earned surplus (including undivided profits)	 149,178
 Total Net Worth	 \$ 928,104
 Total Liabilities and Net Worth	 \$ 7,232,785

CONSOLIDATED STATEMENT OF INCOME

REGULATORY LOAN LICENSEES AS OF DECEMBER 31 (000s OMITTED)

1997

INCOME

Charges collected and/or earned	\$ 746,661
Collections on accounts previously charged off	267
Other income	(18,243)
Total Operating Income	\$ 728,685

EXPENSES

Advertising	\$ 21,939
Bad debts	
Charge offs	19,709
Additions to reserve for bad debts	128,757
Salaries	208,711
Interest paid	335,502
Other expenses	242,592
Total Expenses (excluding income taxes)	\$ 957,210
Income Before Taxes	(\$ 228,525)
Income taxes	
Local	(\$ 718)
Federal	(103,036)
Total Taxes	(\$ 103,754)
Net Income	(\$ 124,771)

CONSOLIDATED STATEMENT OF INCOME

CONSUMER FINANCIAL SERVICES LICENSEES AS OF DECEMBER 31
(OOOS OMITTED)

1997

INCOME

Charges collected and/or earned	\$ 2,265,552
Collections on accounts previously charged off	3,785
Other Income	1,106,410
Total Operating Income	\$ 3,375,747

EXPENSES

Advertising	\$ 114,693
Bad debts	
Charge offs	37,591
Additions to reserve for bad debts	264,613
Salaries	549,924
Interest paid	617,709
Other expenses:	1,294,638
Total Expenses (excluding income taxes)	\$ 2,879,168
Income Before Taxes	\$ 496,579
Income taxes	
Local	15,797
Federal	172,738
Total Taxes	\$ 188,535
Net Income	\$ 308,044